

SMALL BUSINESS FOR VETERANS

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INTRODUCTION

America's business population in 1941 was approximately 3 million establishments, comprised of 185 thousand manufacturers, 93 thousand wholesalers, 650 thousand service shops, 28 thousand hotels, 215 thousand contractors, 45 thousand amusement places, and over a million and three quarters retail stores. This means one establishment for approximately every forty-three people or ten families.

Today there are nearly 500,000 fewer establishments. War with its demands for soldiers, sailors, and workers thinned their ranks. Restrictions and shortages of goods eliminated others. But the evidence points to a rapid increase in their numbers after V-E and V-J Days. Veterans and war workers by the thousands are planning to own businesses or to become self-employed.

Our large corporations may value their assets in the hundreds of millions and may sell their products all over the world. But small business is the kind of business most people know by personal contact. Small business is the kind of business men talk about when they think about starting on their own.

Already the plans of servicemen, veterans and civilians for new businesses are becoming clear. The aid that the federal government will give veterans has been incorporated in the Servicemen's Readjustment Act of 1944, popularly known as the G. I. Bill of Rights.¹ The difficulties confronting these new businessmen will include the well-known hazards of business, the wartime regulations and restrictions, and special problems that may come with the peace. Communities, business organizations, educational institutions, and governmental agencies are developing plans to help those men start properly and succeed. These four phases are reviewed in this article in order to focus attention on what may or may not be advisable in a post-war program for new small business in America.

The goal of any program for businessmen—new or established, small or large—must be an expanding economy in which opportunity for new enterprises, whether

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¹58 STAT. 284, 38 U. S. C. A. §§693 *et seq.* (Supp. 1944).

started by veterans or others, is combined with fair treatment for established enterprises so that they too can expand and make their contribution to full employment at adequate wages.

BUSINESS-OWNERSHIP PLANS OF SERVICE MEN

What the Army Survey Reveals

To own and to manage his business is the goal of many a service man. Exactly how many men will start their own enterprises in the post-war period is difficult to forecast. Estimates range from slightly over a half a million to 3,000,000 as the maximum number that may be started in the first few years after the war.²

From a survey made in the summer of 1944, the Army estimates that 7 percent of its military personnel have definite plans to own businesses after the war.³ An additional 4 percent have tentative plans for businesses of their own; and 4 percent more have vague plans about starting. The 7 percent is the same for white officers of company grade, white enlisted men, and Negro enlisted men; however, the percentage of Negro enlisted men with tentative and vague plans was higher than for the other groups as shown in Table 1.⁴ Commenting on the relatively large

TABLE 1

PLANS OF WHITE OFFICERS OF COMPANY GRADE, WHITE ENLISTED MEN AND NEGRO ENLISTED MEN TO OWN BUSINESSES AFTER THEY LEAVE THE ARMY

| Plan to Own a Business | All Officers and Enlisted Men (Percent) | White Officers of Company Grade (Percent) | White Enlisted Men (Percent) | Negro Enlisted Men (Percent) |
|--|--|--|---------------------------------------|---------------------------------------|
| Definite plans to own a business..... | 7 | 7 | 7 | 7 |
| Tentative plans to own a business..... | 4 | 3 | 4 | 5 |
| Vague plans to own a business..... | 4 | 2 | 3 | 7 |
| No immediate plans to own a business.... | 85 | 88 | 86 | 81 |
| | <hr/> 100 | <hr/> 100 | <hr/> 100 | <hr/> 100 |

percentage of Negro enlisted men with tentative and vague plans the Army states, "It seems reasonable to assume that the aspiration of so many Negro soldiers for a business of their own stems from the relatively disadvantageous position in competition for desirable jobs."

Approximately 13 million American men and women will be veterans of World War II. If the percentages the Army survey reveals are assumed to be applicable for all branches of the armed forces, then 900,000 men and women plan to be business owners. Another half million have tentative plans. However, since no similar studies have been made by the other branches of the armed forces, the figure of 7 percent may not be applicable to other groups because of such factors as differ-

² Quincy Adams, *The G. I. Bill and Small Business* (Sept. 1944) DOMESTIC COMMERCE.

³ ARMY SERVICE FORCES, REPORT No. B-130 ("Soldiers' Plans to Own Businesses After They Leave the Army." Information and Educational Division, Hq. A.S.F., Jan. 15, 1945) 1.

⁴ *Id.* at 3.

ences in average age of the personnel, type of training, and length of service. Contrariwise, the figures of 7 and 4 percent may increase as the business-loan guarantee provisions of the G. I. Bill become more widely understood.⁵

TABLE 2
PREVIOUS EXPERIENCE IN LINE OF WORK TO BE FOLLOWED, FOR WHITE AND NEGRO
ENLISTED MEN PLANNING TO OWN BUSINESSES

| Previous Experience in Line of Work to be Followed | Definitely Planning to Own a Business | | Tentatively Planning to Own a Business | |
|--|--|--------------------|---|--------------------|
| | White (Percent) | Negro (Percent) | White (Percent) | Negro (Percent) |
| Were self-employed: | | | | |
| Have a business now..... | 23 | 4 | | |
| Had a business and expect to have one again..... | 19 | 9 | 12 | 8 |
| Had experience as employee: | | | | |
| Three years or less..... | 20 | 18 | 24 | 20 |
| Over three years..... | 20 | 32 | 23 | 20 |
| Had no previous experience..... | 18 | 37 | 41 | 52 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 100 | 100 | 100 | 100 |
| Percent of men surveyed holding such plans..... | (7%) | (7%) | (4%) | (5%) |

As shown in Table 2, the majority of the men with definite plans to own a business are experienced. It is estimated that of all the white enlisted personnel, 23 percent already own businesses that are operating during their absence. Another 19 percent had businesses and expect to have them again. The total of men who were either self-employed or experienced as employees totalled 82 percent of the men with definite plans. The total for Negro enlisted men was 63 percent, with only 4 percent reporting that they have businesses now, and 9 percent reporting have had a business.

More than half the men with definite plans for starting a business, but not now owning one, expect to invest \$4,000 or less.⁶ Approximately 60 percent of these state that they will have all the necessary capital or will have to borrow no more than half their requirements.⁷ These relatively small amounts may reflect the fact that 45 percent of the white enlisted men plan to enter retailing, 13 percent plan service establishments, 9 percent manufacturing, 7 percent transportation businesses, 6 percent construction or contracting, 4 percent tourist camps or hotels, and 2 percent insurance and real estate. The remaining 14 percent were uncertain as to the kind of business or did not answer this question in the Army survey.

⁵ REPORT No. B-130, *supra* note 3, was based on a questionnaire survey made in the summer of 1944. The G. I. Bill of Rights was signed June 22, 1944.

⁶ REPORT No. B-130, *supra* note 3, at 10.

⁷ *Id.* at 11.

Reports from New Jersey

The State of New Jersey passed the Veterans' Business Loan Act of 1944⁸ in April of that year. The Act provides that the Veterans Loan Authority will guarantee payment of 90 percent of any loan made to a veteran for the purpose of starting a business or profession. The loan cannot exceed \$3,000 and must be necessary in addition to all Federal benefits that may be available to the veteran for the same purpose.⁹

Lending activities under the Act started in the summer of 1944. By April 1, 1945, 272 loans from a total of 341 requests had been approved. One hundred and thirty-three of these applicants were starting 46 different kinds of retail businesses. Thirty-four were entering 13 different types of service establishments. Thirteen were setting up trade-crafts; and 26, motor transportation. Thirty professional men availed themselves of the loan guarantee.¹⁰ While these data as presented in Table 3 do not justify conclusions as to the kinds of businesses the veterans will start, they certainly tend to confirm the opinion that approximately half the men are thinking in terms of retail businesses.

The New Jersey law unlike the G. I. Bill of Rights does not prevent the guarantee of loans for the purpose of buying inventories or acquiring working capital.¹¹ What effect the restrictive measures of the Federal Act and the governing regulations will have on the number of men who will start retail stores is hard to predict.

Reports from the Department of Commerce

The Division of Small Business of the Department of Commerce receives many letters from military personnel, discharged veterans, war workers and others interested in starting their own businesses. Such prosaic businesses as hardware stores, service stations, grocery stores, men's furnishing stores, bars and grills, and radio shops, appeal to many men. Others have sought information on how to start a dairy in Alaska, an ice-cream plant in Paris, France, a mobile laundry and a "washateria." From men interested in sports and recreation have come requests for facts about small boat building, hunting and fishing guide services, swimming pools, drive-in theatres, tourist camps, and bowling alleys.

The twenty-six field offices of the Department of Commerce are providing service men with counsel and advice on starting businesses. Recently, in two days the business consultants of the New York office of the Department of Commerce had over 35 conferences. The men interviewed wanted data on such technical businesses as commercial photography, lithography, jewelry manufacturing, multilithing and plate making, and display fixtures.

⁸ Chap. 126, Laws 1944, N. J. STATS. ANN. 38: 23B (Supp. 1944).

⁹ N. J. DEP'T OF ECONOMIC DEVELOPMENT, BUSINESS LOANS TO VETERANS (Information Circular No. 1, Veteran Loan Authority, July 1944).

¹⁰ N. J. DEP'T OF ECONOMIC DEVELOPMENT, SUMMARY OF VETERANS LOANS TO APRIL 1, 1945 (Bur. of Research and Statistics, 1945).

¹¹ These restrictions are discussed later in this article.

TABLE 3

KINDS OF BUSINESSES, PROFESSIONS AND FARMS, FOR WHICH LOANS HAVE BEEN APPROVED
BY VETERANS LOAN AUTHORITY OF THE STATE OF NEW JERSEY

JULY 1, 1944, TO APRIL 1, 1945

| | |
|--------------------------------------|-----|
| <i>Total loans approved</i> | 272 |
| <i>Retail Trade</i> | 133 |
| Antiques | 1 |
| Auto Sales | 1 |
| Auto accessories | 1 |
| Auto Sales (Used Cars) | 3 |
| Auto Used Parts | 1 |
| Bait Sales & Boat Rentals | 1 |
| Bakery | 1 |
| Bedding | 1 |
| Cigar Store | 1 |
| Delicatessen Store | 4 |
| Dress Shop | 1 |
| Dry Goods | 3 |
| Electrical Sales & Service | 3 |
| Food Distributor | 3 |
| Fuel Oil Distributor | 2 |
| Fuel Oil & Burner Sales | 1 |
| Gasoline Station | 12 |
| Gasoline & Oil Distributors | 1 |
| General Merchandise | 1 |
| Grocery | 5 |
| Hobby Shop | 1 |
| Hotel Supplies | 1 |
| Household Appliances | 3 |
| <i>Agriculture</i> | 9 |
| Farms | 9 |
| <i>Construction</i> | 2 |
| Building Contractor | 2 |
| <i>Manufacturing</i> | 12 |
| Chemical Products | 1 |
| Clothing | 1 |
| Embroidery | 1 |
| Freezing Lockers | 1 |
| Glass | 1 |
| <i>Professions</i> | 30 |
| Auctioneer | 1 |
| Circus Performer | 1 |
| Civil Engineer | 1 |
| Dentist | 7 |
| Insurance | 1 |
| Lawyer | 8 |
| <i>Recreation</i> | 2 |
| Bowling Alleys | 1 |
| <i>Sales Agents</i> | 7 |
| Barber & Beauty Salon Supplies | 1 |
| Beverages | 1 |
| Brushes | 1 |
| Cellucotton | 1 |
| <i>Service</i> | 34 |
| Barber | 1 |
| Beauty Shop | 4 |
| Caterer | 1 |
| Cleaning & Dyeing Service | 8 |
| Clinical Laboratory | 1 |
| Garage | 7 |
| General Delivery Service | 1 |
| Household Furnishings | 1 |
| Ice & Coal Distributors | 4 |
| Jewelry-Novelty Shop | 1 |
| Liquor Package Store | 5 |
| Machinery Sales | 1 |
| Meat Market | 3 |
| Mirror & Glass Store | 1 |
| Paint Store | 1 |
| Pharmacy | 2 |
| Produce Market | 12 |
| Radio Sales & Repairs | 3 |
| Refrigerator Sales | 1 |
| Restaurant | 16 |
| Shoe Store | 1 |
| Sporting Goods | 2 |
| Stationery & Confectionery | 12 |
| Surplus War Mat. Salv. Sales | 1 |
| Sweet Shop | 1 |
| Tavern | 5 |
| Waffle-Donut Shoppe | 1 |
| Wearing Apparel | 4 |
| Wood Distributor | 2 |
| Yarn Dealer | 1 |
| Leather Goods | 1 |
| Machine Shop | 3 |
| Neon Signs | 1 |
| Plastic Products | 2 |
| Optometrist | 1 |
| Photographer | 1 |
| Physician | 6 |
| Physiotherapist | 1 |
| Publisher | 1 |
| Real Estate | 1 |
| Skeet Club | 1 |
| Engineering | 1 |
| Groceries | 1 |
| Steel Products | 1 |
| Hotel & Lodging House | 3 |
| Investigator—Credit | 1 |
| Omnibus Operator | 1 |
| Scavenger Collector | 1 |
| Shoe Repair | 2 |
| Taxi Operator | 3 |

| | |
|--------------------------------------|----|
| <i>Trade-Crafts</i> | 13 |
| Electrician | 2 |
| Metal & Furnace | 1 |
| Painter | 4 |
| Plumber | 1 |
| <i>Motor Transportation</i> | 26 |
| <i>Wholesale Trade</i> | 4 |
| Export & Import | 1 |
| Fruit & Vegetables | 1 |
| Printer | 1 |
| Roofer | 3 |
| Upholsterer | 1 |
| Household Appliances | 1 |
| Plumbers-Electricians Supplies | 1 |

The interest in starting businesses is found among practically all ranks and ratings in the military forces. Navy captains and Army colonels down to seamen and privates have sought information from the Department on kinds of enterprises to start and where to start them. There is a wide range in their education and training. The Army survey reveals that of the men who plan to start a business 4 percent are college graduates, 15 percent have attended college, 64 percent have attended high school, 33 percent are high school graduates, 17 percent attended only grade school. The data on the men who have been counseled by the Department of Commerce confirms this wide range in educational background.

THE G. I. BILL

Business Loan Provisions

The Servicemen's Readjustment Act of 1944, known as the G. I. Bill of Rights,¹² provides for the guarantee of loans to eligible and qualified veterans to purchase or construct homes, or to purchase farms or business property. The Veterans Administration, the agency charged with carrying out the provisions of this Act, recently issued regulations on the business loans provisions of Title III. The regulations and the Act itself constitute a part of each contract of guaranty issued by the Administrator of Veterans Affairs.¹³

An eligible veteran is one who (a) served in the active military or naval service of the United States on or after September 16, 1940, and prior to the termination of the present war; and (b) has been discharged or released under conditions other than dishonorable after active service of 90 days or more, or because of injury or disability incurred in line of duty; and (c) makes application for benefits within two years after separation from service, or two years after termination of the war, whichever is the later date, but in no event more than five years after the end of the war.¹⁴

The Act provides for guarantee of loans; it does not provide for direct loans to veterans for business purposes by any government agency. The Administrator may guarantee a loan for the purchase of any business, land, buildings, supplies, equipment, machinery, or tools to be used by an applicant in a gainful occupation if he finds that: (a) the loan will be used in the bona fide pursuit of such gainful occupation; (b) such property will be useful in and reasonably necessary for the effi-

¹² *Supra*, note 1.

¹³ Roper, *What About These Veterans' Loans?* (Feb. 1945) DOMESTIC COMMERCE.

¹⁴ 58 STAT. 291, 38 U. S. C. A. §694(a) (Supp. 1944).

cient and successful pursuit of such occupation; (c) the ability and experience of the veteran indicates that there is a reasonable likelihood that he will be successful; (d) the purchase price does not exceed the reasonable value; and (e) the loan appears practicable.¹⁵

Thus it is seen that both the veteran and the enterprise must qualify for the business loan.

The Administrator may guarantee up to \$2,000 of one or more loans made to a veteran but the guaranteed portion or portions may not exceed 50 percent of the total loans made to the veteran. The only exception is in the event a prior loan has been made, guaranteed or insured by another Federal agency; in which case the Administrator may guarantee 100 percent of a second loan of not more than \$2,000 which may not exceed 20 percent of the purchase price or cost of the property. This type of guaranteed loan will apply mainly to real estate and buildings.

The interest on loans shall not exceed 4 percent per annum.¹⁶ The Administrator pays the first year's interest on the guaranteed portion.¹⁷ All expenses customarily borne by purchasers or borrowers in similar situations may be charged to the veteran, but no charge shall be made for obtaining any loan guarantee.

Twenty years is the maximum time for repayment of loans. However, this maximum will usually apply only to real estate since the loans for other purposes will be limited as to maturity by the expected life of the assets pledged as security. The loans for business purposes which may be guaranteed are, in addition to loans for the purchase of business realty: (a) loans for the acquisition of an existing business; (b) loans for the purchase of equipment, machinery, or tools; and (c) loans for the purchase of supplies.¹⁸ Neither the regulations nor the Act provide for guarantee of loans for inventory, stock, or working capital; except that inventories, stocks and accounts receivable of an established business may be included in the assets of the business purchased. The ultimate maturity of loans for the purchase of an existing business shall not exceed five years.¹⁹

Loans for the purchase of equipment, machinery or tools (new or used) can be made for the entire purchase price. The maturity must, however, not exceed three years. Loans for a one-third down payment on equipment and machinery can be made and secured by a second lien. For loans of \$500 or less the ultimate maturity is one year; for loans over \$500 two years.²⁰

A loan for supplies may not exceed \$1,000 and is limited in maturity to one

¹⁵ 58 STAT. 292, 38 U. S. C. A. §694c (Supp. 1944).

¹⁶ 58 STAT. 291, 38 U. S. C. A. §694(c) (Supp. 1944).

¹⁷ 58 STAT. 291, 38 U. S. C. A. §694(b) (Supp. 1944).

¹⁸ REGULATIONS UNDER SERVICEMEN'S READJUSTMENT ACT OF 1944, §36.4205. 9 FED. REG. 14899-14900 (Dec. 23, 1944). The term "supplies" is so defined in the REGULATIONS, §36.4200 (l) (1) (vi) (4), as to exclude from that term additional inventory. In fact, §36.4204(e) of the REGULATIONS provides that "Loans for the acquisition of additional inventory or for other working capital purposes are not included in the act."

¹⁹ REGULATIONS, preceding footnote, at §36.4204(a).

²⁰ *Id.* at §36.4205(a).

year.²¹ Loans for the acquisition of business realty must be amortized and retired within twenty years. An unamortized loan, except in certain instances, will not be guaranteed; however, a loan agreement may provide for variable amortization payments, dependent upon the earnings of the business.²²

Agencies for Guaranteeing Loans

Both the Reconstruction Finance Corporation and the Smaller War Plants Corporation have been appointed by the Veterans Administration as the reviewing agencies for processing loan applications for approval or disapproval. No federal agency, not even Veterans Administration, is authorized under the G. I. Bill to make direct loans for business purposes to veterans. However, a veteran in the role of a businessman can borrow from the Reconstruction Finance Corporation, Smaller War Plants Corporation, or Federal Reserve Banks provided he can qualify for the types of business loans they are authorized to make.

Eligible lenders include persons, firms, associations, and corporations. Veterans consequently have numerous sources from which they can borrow. Their borrowing may take the form of borrowing the funds necessary for the purchase of the various assets, or it may be in the form of guarantees of their purchase contracts. For example, a veteran might borrow \$4,000 from a bank in order to purchase a business or he might go in debt to the owner of the business for \$4,000, assume legal title to the business, and have his debt guaranteed by Veterans Administration within the limits of the Act.

At the present time, it is expected that the bulk of the financing of veterans starting businesses will be done by commercial banks. Instructions on loan procedures and the necessary forms have been sent to recognized lending associations throughout the country by Veterans Administration. The American Bankers Association, and other financial associations are encouraging their members to set up the best facilities not only for handling the applications but also for assisting the veterans in formulating and carrying out their plans.

Obtaining Loans

The first step for the veteran is to complete a Certificate of Eligibility, obtainable from banks and other lenders. On this form he summarizes his service record, states the amount of the required loan and the purpose for which it is to be used. The prospective lender countersigns this form and submits it to the regional office of Veterans Administration. They in turn certify as to the eligibility of the applicant and "ear mark" on the veteran's record the amount reserved for the loan guaranty. The total of the guaranteed portions of all loans made to any one veteran may not exceed \$2,000.

The next step is for an approved appraiser to evaluate the property. The lender and the veteran then complete the application for guaranty, which together with

²¹ *Id.* at §36.4205(b).

²² *Id.* at §36.4212.

the credit report, the appraisal report, the copy of any option, loan, or conditional sales agreement, and other pertinent papers is forwarded to the reviewing agency.

The agency must approve or disapprove. If disapproval is recommended the reasons in writing must accompany the papers. The Administrator upon receipt of the papers must likewise approve or disapprove. If he disapproves, all papers must be returned to the proposed lender except the original application for guaranty and the original appraisal report. Reasons for disapproval must be stated in writing and accompany the papers. A copy of the letter giving the reasons must be sent to the veteran and the agency.

If the application for guaranty is approved, the lender then procures a certificate of title on any realty security, and has the mortgage, the note and other necessary instruments executed and recorded. He then disburses the funds according to the loan-closing statement and instructions. In the case of pledge of personal property the lender must take the necessary steps to make the pledge effective.

Non-financial firms, companies, corporations and individuals who want their loans to veterans guaranteed follow the same procedure. All creditors having loans guaranteed are responsible for maintaining adequate records on disbursements and repayments, and for reporting on delinquent loans. Applications for guaranty of business loans coming from lenders other than commercial banks will be reviewed by Smaller War Plants Corporation.

While one objective of the business-loan guarantee provision is to make it easier for the veteran to borrow, some of the restrictions in the Act create special problems. These will be discussed in Part IV—"Problems Confronting Veterans."

PROBLEMS CONFRONTING VETERANS

Business Hazards

The special hazards and problems confronting the veterans who want to start businesses fall roughly into three groups: (a) the ordinary hazards of the new businessman or the new venture, (b) those arising out of the war situation, such as regulations and controls, fluctuations in prices, and war stimulated technological developments and (c) some of the terms of the G. I. Bill.

Like all other businessmen the veterans who start or re-establish businesses will face the well-known hazards or problems of business. Competition, losses from bad debt, changes in styles or models, unseasonal weather, unsuitable location, unsatisfactory sources of supplies are problems from which they will not be exempt because of their status as veterans.

The seriousness of the hazards confronting new small businesses is shown in the high rate of discontinuances of businesses. Each year on the average approximately 330,000 to 350,000 business establishments out of the total of about 3,000,000 close their doors for good, change their name or type of business organization, or are liquidated. And each year about 350,000 to 370,000 new names appear in the business world.

The highest annual rate of discontinuance occur among those less than a year old. In fact, in some trades over 50 percent of the businesses close before their first birthday. However, high discontinuance rates, serious as they are, should not be confused with the number of bankruptcies and failures which result in losses to creditors. As long as entrance into and exits from the ranks of businessmen is kept relatively simple, many will start and many will stop. But one fact that this continual turn-over in the business population should indicate to the newcomer is that small business ownership is not the safest or most secure way to earn a living.

Wartime Regulations

The war has created hazards and problems to businessmen that the veteran must consider.

First on the list are the regulations and controls necessary for maintaining as much economic balance as possible under wartime conditions. Need for making special allowances for veterans has become pressing since a considerable number of the 1,500,000 discharged men and women are trying to start or re-enter business. Washington agencies are now writing veterans' preference into regulations. Basic policies are being set by the Office of War Mobilization and Reconversion.

Office of Price Administration, among the control agencies, has perhaps gone the farthest in removing barriers to entry into small business. OPA has made it possible for small institutional and industrial users of rationed foods, such as bakeries and refreshment stands, to get rationed items to produce non-rationed finished products. The OPA regulations, however, do not compel wholesalers and suppliers to sell to veterans, and there is some belief that veterans will have more difficulties in getting scarce goods than in getting permission to enter business.

The War Production Board is expected to issue regulations which will give veterans priorities on a par with those granted established businesses to buy unrationed materials, production materials, capital equipment, stocks for retail sales, and supplies.

The Office of Defense Transportation is endeavoring to formulate procedure for helping veterans who want to start taxi service or trucking lines. Surplus War Property Administration has not as yet formulated procedures under which veterans will be able to avail themselves of the priority stipulated in the Act.

Price Changes

Changes in the general price level or in the price levels of the goods in which the veteran will deal must be considered by him. While extreme inflation or deflation may be controlled—in fact most likely avoided—any readjustment of prices downward will have a special impact on the new small businessman. The abnormalities of the present sellers' market in practically all goods, services, and business locations present serious enough problems to the established businesses with their backlogs of reserves and experience. To the newcomer they may be unsurmountable.

The possibility of price adjustments, either upward or downward, does not mean

that the veteran is pre-empted from all good business opportunities. Selection and timing become more difficult, and careful analyses of all factors more important.

Technological advancements during the war in new methods of production and in improved materials creates additional special hazards for the newcomer. Even a cursory survey of trade publications indicates that in the post-war era new and more efficient machines will appear, better ways of handling goods and of reducing costs will be introduced, and new materials or combinations of materials will be made available for the first time for civilian goods.

However, the transition from war to peace will likewise provide opportunities. For it will be a time of change; change and opportunity are almost synonymous in business. The obvious difficulty for the veteran is to find valid or real opportunities and to have the experience and the ability necessary to develop them.

Schemes and Business "Opportunities"

Schemes, promotions, rackets, and other questionable business "opportunities," according to the National Association of Better Business Bureaus, will be prevalent in the post-war period.²³ The swindling fraternity will have an unusual chance to promote their frauds for war savings will be high, and, during a period of shifts in occupations, millions will be looking for real investment opportunities.

The Better Business Bureaus have records of over 800 schemes, many of which are business "opportunities." The fact that many of these are similar to bona fide business propositions or are called by the same name as legitimate enterprises makes it all the more difficult for the veteran to avoid being victimized. Among those listed in their *Facts* booklets are fur farms, territorial rights, partner wanted, and vending machines.²⁴

The G. I. Bill

Even the G. I. Bill and Regulations present several problems to the veteran with ambitions to start his own business. Not only are there the factors of eligibility for both veteran and the business, such as his experience, and the practicability and price of the enterprise, but limitations are also placed on the amounts that the Veterans Administration will guarantee for specific purposes. But perhaps the most serious problem is the restriction previously mentioned against guaranteeing loans for the purchase of stocks or inventories, unless they are acquired by buying an existing business.²⁵ Furthermore, loans for working capital cannot be guaranteed.

The regulations restrict the guaranty to individual proprietorship, partnership and joint ventures. Starting a partnership or buying into one is complicated by the ruling that all the assets of a partnership must be pledged as security, unless

²³ BETTER BUSINESS BUREAUS, *FACTS VETERANS SHOULD KNOW BEFORE STARTING A BUSINESS* (undated) 7-10.

²⁴ *Ibid.*

²⁵ Amendments to the G. I. Bill permitting guarantee of loans for inventories were introduced in Congress on March 12, 1945. S. 738 and H. R. 2627, 79th Cong., 1st Sess.

it is possible to keep separate the assets of the borrowing veteran. Loans for purchase of stock interests in corporations, large or small, cannot be guaranteed.²⁶

While undoubtedly some of the restrictions written into the law and regulations will present serious and perhaps unsurmountable problems to many of the veterans wanting to start businesses, the purpose of some of the restrictions seems manifestly aimed at protecting them against over-enthusiasm on their part or high-pressure salesmanship by those who would profit unfairly by their entrance into business. One of the most difficult tasks confronting those concerned with aiding the men to get back into civilian business life is to help veterans get started when they have relatively sound business propositions but are confronted with the restrictions of the Act or do not qualify for a loan according to orthodox bank procedure.

ASSISTANCE TO VETERANS

A Community Problem

The best job of helping the veteran to get back to ways of civilian life can and should be done in his local community. It is there that he ceases to be a "serial number." It is there that his problems of readjustment can be given individual attention. Despite all of the problems veterans will have as individuals, and there will be many, there seems to be a growing realization that there is no "veterans' problem" as such. Rather the presence of veterans brings into sharp focus one group of problems that have existed in practically all communities. When there was a constant flow of young people into the ranks of adults the task of adjusting them was not too severe a strain on most communities. Some took jobs at home; others entered business or farming. Some sought employment elsewhere, and still others continued education for several years more. But after V-E and V-J Days at least five school generations of young people, not just one, will be attempting to establish themselves as adult members of the community. In addition, a large percentage of the older veterans will seek jobs or occupations entirely different from those they were engaged in prior to entering the armed services.

What needs to be done is to build the kinds of communities in which veterans will have opportunities to achieve economic security and personal freedom. The basic problems of the veterans of a people's war are those of all the people. Their problems cannot be separated.

New businesses, small and large, are needed to help provide jobs for all at adequate wages; therefore, many communities and states are developing plans for helping the veterans not only to start their own enterprises but also to operate them successfully and profitably.

The New Jersey Plan

As previously stated New Jersey passed its Veterans Business Loan Act on

²⁶ The bills in the preceding footnote would permit acquisition of interests in corporations and partnerships and the pledging of those interests as security.

April 14, 1944.²⁷ As this article is being written, it is the only state that provides for state guarantees of loans used to establish or re-establish a veteran in a business or profession. The Act recognizes the importance of the local community by providing that the commissioner "shall establish in each community . . . a business counseling service of non-salaried counselors to advise with and assist veterans who apply for or obtain loans under this Act." It provides further that the "business counselors shall . . . visit the place of business or profession . . . shall supervise the uses of such loans, advise and assist the veteran. . . ."²⁸

Community Action

Many communities are organizing special committees or panels to help counsel with the veteran with plans or ideas for his own business. Most of these committees are closely affiliated with the local chamber of commerce, the Committee for Economic Development, service clubs, labor unions, and other civic groups. They frequently cooperate with and use the facilities of federal and state agencies.

Early in 1944, Richmond, Virginia, formed a business advisory clinic under the sponsorship of the Chamber of Commerce and the Committee for Economic Development. A survey revealed that many of the men coming back had hopes and plans for starting on their own. However, it also showed that many had gone into the service direct from school and had had limited business experience. This was true even among the officers, 70 percent of whom up to the rank of major were under 30 years of age.

The Richmond Plan calls for a "screening" or counseling service at which the men get the facts on the requirements of the proposed enterprise and are led to evaluate their qualifications for business ownership and management. Panels of experts from many kinds of businesses have been organized. After the screening process the veteran is introduced to one or more of these men with whom he discusses his plans. If the special services of bankers, real estate men and insurance men are needed, the clinic sees that the veteran gets to reliable parties. The Committee for Economic Development describes the plan as having the following three objectives:

1. To seek out the facts—the real qualifications and sincerity of the applicant.
2. To give not only encouragement but definite working advice and assistance to those servicemen who are felt to be qualified to go into business for themselves; and
3. To discourage those who are not yet qualified, thus saving a potential business failure; but to assist these latter candidates to find jobs in which they will gain more experience aiming toward later businesses for themselves.²⁹

Portland, Maine, has a similar program under the sponsorship of a joint com-

²⁷ *Supra*, note 8.

²⁸ *Id.* at 38: 23B—17 and 18.

²⁹ COMMITTEE FOR ECONOMIC DEVELOPMENT, COMMUNITY HANDBOOK ON THE SPECIAL PROBLEMS OF SMALL BUSINESS (1944) 16.

mittee representing Rotary, Lions, and Kiwanis. The Grand Rapids, Michigan, Chamber of Commerce has voted \$7,500 for its Veterans Counseling Center and has appointed a Business Service Committee "to counsel with existing small business and veterans who desire to enter business."

This is not a task for just the large cities. With one out of every eleven citizens in the average community a veteran of this war, there are few places too small to justify such a committee. That communities of all sizes recognize this fact is demonstrated by the programs that have been set up in Albert Lea, Minnesota; Anderson, South Carolina; Altoona, Pennsylvania; Bradenton, Florida; Grand Rapids, Michigan; Milwaukee, Wisconsin; Los Angeles; Bridgeport, Connecticut; Cincinnati; Toledo; Dayton; and New York. The number is increasing daily.

An outstanding feature in Altoona is the training in counseling that the group of business and professional men imposed on themselves. For seven weeks they attended weekly classes at the Pennsylvania State College, Department of Psychology to get a "practical down-to-earth course in vocational guidance."

Plans of Banks

Banks and other financial institutions are developing plans for counseling veterans on business problems. The American Bankers Association has recently appointed a Committee on Service for War Veterans. Much of the lending to veterans under the G. I. Bill will undoubtedly be done by the banks, and for the most part it will be on business proposals heretofore considered unbankable. The counsel the veterans will get from the banks will most likely be very sound, but conservative. However, it may be just what is needed to protect the veterans against the over-enthusiasm of sellers of business propositions and "opportunities" or the tendency for them to sell themselves as to their own business ability.

Wholesalers and Manufacturers Help

Wholesalers and large merchandising organizations are developing programs for establishing veterans as independent dealers to handle their merchandise on a franchise basis. One nationally known chain in the automotive field plans to use this method to start 750 new outlets. Their plan calls not only for careful selection and training of the prospective retailers but also for supervision and assistance in the management and operation of their businesses.

Manufacturers, particularly of machinery, tools and equipment, and consumer durable goods see opportunity for increased sales in helping veterans and others to get started. In such enterprises as bowling alleys, gas stations, and photography studios the possible subsequent sales of supplies and operating equipment are an added inducement for the manufacturer.

One important test for all the programs of banks, finance companies, community committees, manufacturers, and wholesalers will be the extent to which the plans are designed to work for the best interests of the veterans and ex-war workers desirous of becoming entrepreneurs. Too much discouragement, undue emphasis on

experience—important as it is, or selling them unsound propositions may cause undesirable reactions. When checking experience, the businessman-counselor may do well to recall the amount of experience he had when he started and to ponder the expression “good judgment comes from experience—and experience, well that comes from poor judgment.”

Programs of Schools and Colleges

The generous education provisions of the G. I. Bill of Rights make it possible and practicable for universities, colleges, junior colleges, and secondary schools to set up special curricula and courses on small business ownership and management. In addition to the orthodox classroom procedures some of these programs contemplate providing for itinerant teachers to carry on individualized instruction at the place of business. Veterans and others contemplating starting in business, particularly retailing, may find these programs extremely helpful.

Aid from Federal Agencies

The Smaller War Plants Corporation and Reconstruction Finance Corporation previously referred to are the two federal agencies appointed by the Veterans Administration “to review the papers (of the veterans) to determine whether it shall recommend approval of the application for guaranty.” In addition to rendering this service, SWPC, because of its wartime experience in protecting the interests of small war plants feels that it is particularly well-equipped to counsel and advise veterans. It has made its technical advisory service available to veterans and to the extent it is authorized by statute will make direct loans. At the present time its lending activities are restricted to loans for production of war and essential civilian goods. SWPC is seeking broader lending powers.

The Department of Commerce, particularly through the Bureau of Foreign and Domestic Commerce and Bureau of the Census, furnishes information, data, statistics, and practical suggestions that are of great value to any businessman—new or established, large or small. *Domestic Commerce, Survey of Current Business, Foreign Commerce Weekly*, its official periodicals, provide information on latest developments in both domestic and foreign trade. Publications of the Department of special interest to small and new businessmen include such titles as “Record Keeping for Small Stores,” “Check List for Establishing a Retail Business” and “Effective Grocery Wholesaling.” A complete bibliography is available from the Department.

Personal service to businessmen is rendered by Commerce through its twenty-six field offices. Veterans who have made preliminary checks on the feasibility of their proposed businesses and are satisfied about their own qualifications as business managers can get specific information at the field offices, either through a visit or by mail.

Nineteen books on establishing and operating small businesses are being prepared by the Department of Commerce for the War Department. Distribution to military personnel will be through the U. S. Armed Forces Institute, Madison, Wis-

consin. Public distribution of special civilian editions of these books is planned to follow the printing and issuing of the army series. The businesses included are: Metal Working Shop, Small Sawmill Business, Apparel Stores, Automobile Repair Shop, Retail Bakery, Beauty Shop, Building Contracting Business, Dry Cleaning Business, Electrical Appliance and Radio Shop, Grocery Store, Hardware Store, Service Station, Heating and Plumbing Business, Laundry, Painting and Decorating Contracting Business, Real Estate and Insurance Brokerage Business, Restaurant, Shoe Repair Business, Variety and General Merchandise Store.

Allowances to Self-Employed

Title V of the G. I. Bill of Rights provides for readjustment allowances for former members of the armed forces who are unemployed. Similar allowances are available to self-employed whose earnings fall below \$100 a month.³⁰ For the number of months provided for in the statute, not to exceed twelve, the difference between earnings and \$100 will be paid to qualified self-employed veterans. This provision should go far toward helping men through the low income months of the first few years when mortality rates are the highest.

SUMMARY AND RECOMMENDATIONS

Veterans will be an important factor in rebuilding and expanding American business after the war. About 1,000,000 of them want to start businesses or become self-employed. Many war-workers have similar plans and they will be responsible for tens of thousands of new enterprises. The veterans have the advantage of the loan guarantee provisions and other benefits of the G. I. Bill and some preferences from government agencies. All new small businessmen will face the ordinary hazards of business and the economic problems of peace. All will benefit by the efforts—national and local—that are being made to help small business.

Much has been done that will help new small businesses survive and grow. Much more can be done. The experiences of men dealing with the problem indicate that the following recommendations are pertinent:

1. The G. I. Bill should be amended to permit (a) the guaranty of business loans made for the purchase of merchandise and for limited amounts of working capital, and (b) the guaranty of loans made for the purchase of stocks in small corporations and in partnerships without requiring non-veteran partners to pledge their share of the assets.
2. Business counseling services including management aid should be made available to both new and established small businesses, veterans and non-veterans alike. Local groups, banks, manufacturers, wholesalers, insurance companies—as well as federal and local agencies—should be encouraged to develop these services.
3. Financial aid should be provided new small businesses, particularly those that

³⁰ 58 STAT. 295, 38 U. S. C. A. §696 (Supp. 1944).

- show ability to grow and increase employment. Loans for periods up to ten years, lines of credit which permit long time planning and, where desirable, equity capital should be made available to small as well as large companies.
4. Research facilities should be made available to small businesses, particularly small manufacturers. Universities, colleges, research institutes, and government agencies should cooperate in this program.
 5. Communities, counties, states, and regions should make surveys designed to show the economic needs and business opportunities of their areas. The objective of each of these surveys should be the most efficient use of the area's resources.
 6. Educational program designed to improve the quality of management of small businesses should be incorporated in college and adult-education curricula.

The programs stated or implied in these six recommendations and the work, now being done for small business will be of little help if two fundamental conditions are overlooked. We must have an expanding economy that will provide an increasing national income and we must distribute it among all Americans so that none need live under sub-standard conditions. And second, we must have a world at peace in which barriers to the exchange of goods, ideas, and cultures are constantly lowered and eventually eliminated.

While small business is chiefly local business, the past two decades have taught us once and for all that no community or business is so isolated that it escapes the devastating impact of war and depression.